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# BUSINESS CONDITIONS & FORECASTS

## A M A News Letter

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AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y. . . . AUGUST 25, 1939  
SEP 7 1939

### *The President's Scratch-Pad*

§ During these summer months, the AMA has been busy making plans for the series of conferences which it will hold during the remainder of 1939 and the first part of 1940. The first meeting of the new conference season (the Office Management sessions) will be held in October, and the last, late next spring or summer.

§ Various divisional planning groups have met in recent weeks to discuss the types of conferences which will be best suited to the different fields of management. These groups have undertaken research to obtain the membership's viewpoint as to the topics which deserve to receive attention at the different sessions, and thus, well in advance of the conferences, are analyzing each field carefully so that the conferences themselves will be an accurate reflection of current progress and thinking.

§ The conference method of studying a given problem, or set of problems, has been found to be most productive, in the AMA, when the groundwork of each meeting is carefully laid. It is unusual when spur-of-the-moment meetings bring forth lasting and usable information. Those who are charged with planning these meetings keenly feel the responsibility to make them as concretely practical as possible, so that it will be worth the time of the busy executive to attend them.

§ Now, as a new conference season approaches, every company should plan to cover each meeting; it should have at least one executive at every conference, so that it can fully share in the benefits of the meetings—in which one finds the essence of the cooperative spirit of AMA. In a year's time these conferences cover virtually every aspect of management, and on each occasion several hundred minds are brought to focus on specific subjects. One of the best ways for a concern to guard against obsolescence in its management is to have its executives participate fully in these sessions.

*Alvin E. Dodd*

### Cost Reduction Thru Building Modernization To Be Theme of Production Conference

The reduction of unit costs through building modernization and new building design will be the theme of AMA's November Production Conference. This was announced by Raymond S. Perry, Vice-President of The Ingersoll Milling Machine Company, and Vice-President of the Association's Production Division, following a meeting of the program planning group on August 10. The subject is one that has never before been treated at an AMA conference.

The sessions, which will be held in Chicago, will consider the entire problem of the bearing of plant construction on unit costs. Discussion will cover both the erection of new buildings and the problems encountered in the modernization of present manufacturing structures.

Among the topics being considered for the various sessions are: "The Importance of Plant and Plant Facilities in Production Management"; "Plant Services and Unit Costs"; "Plants of Tomorrow in Operation Today"; "Lighting for Production"; "Heating, Ventilating and Air-Conditioning as a Factor in Efficiency"; "The Effect of Environment on Employee Efficiency."

It is planned in discussing these subjects at the meeting to make each presentation as visual as possible. Developments in industrial lighting and in plant heating and ventilation will be shown by means of special displays of advance-design equipment.

Those attending the planning meeting on August 10 included, as well as Mr. Perry: Oscar Grothe, Vice-President of White Sewing Machine Company; W. W. Finlay, Wright Aeronautical Corporation; Stanley P. Fisher, Works Manager, American Hard Rubber Company; L. C. Morrow, Editor, *Factory Management and Maintenance*; Harold V. Coes, Manager, Industrial Department, Ford, Bacon and Davis, Inc.; and J. M. Talbot, Factory Manager, The S. S. White Dental Manufacturing Company.

### BUSINESS SEATTLE, WASHINGTON OUTLOOK

#### Durable Goods Improving; War Threat Is Principal Recovery Obstacle

The principal development in business as pictured by the summaries on the inside pages of this LETTER is the possibility that the recovery burden is shifting from the non-durable goods industries to those making durable goods. To the extent that this is true, it marks a fundamental change in the course of the movement which has been under way since the spring—a movement in which the lighter lines of industry played the major role and carried the greater part of the load. Now it appears as though the situation is reversing itself. Most of the instances pointing to this development are scattered, however, and more positive expansion on a wider front in the durable goods field will have to manifest itself before any definite conclusion can be reached.

Meanwhile the great bulk of business news is favorable. European tension is generally believed to be the great single deterrent to a vigorous recovery. The depressing effect which it has had in the security markets is also spreading into the less speculative fields; it can be regarded as fortunate that this latest crisis does not coincide with a sweeping downward economic movement in this country. Such a movement would gain powerful headway under the impetus of the alarms now emanating from the friction points abroad.

#### *World's Fair Becomes Member of AMA*

The world's most modern business—The New York World's Fair, Inc.—applied for membership in the AMA last week, thus showing that "The World of Tomorrow," like the world of today, will need good management. The Fair is anxious to employ the best management practices in running its gigantic plant, and believes that it would benefit itself by hearing about such practices through the AMA.

# BUSINESS CONDITIONS & FORECASTS . . .

VOL. 12, No. 8—PREPARED MONTHLY BY THE AMERICAN MANAGEMENT ASSOCIATION

	Alexander Hamilton Institute	Brookmire, Inc.	Business Week
<b>General Outlook</b>	Industrial activity during the week ended August 5 showed a slight decline from the rate of the previous week; department store sales for the same week were 9% larger than a year ago; steel output has reached a new high for the year, while auto output reached a new low (August 19).	Disturbances in Europe may steal the limelight in the press, but deeper scrutiny of the news reports and significant statistics of the times reveal a rising tide at home; the resumption of the uptrend about three months ago has already begun to boost some industries to new peaks for this recovery period (August 19).	The general level and tempo of business remains pretty much the same, but there are indications that the character of the economy is undergoing a basic change as durable production tends to take over the load; some slow-up in non-durable lines (August 19).
<b>Money and Credit</b>	The outlook is that the decrease in the national income during the last half of the year from the amount produced in the corresponding period of 1938 will nearly offset the gain in the first half of the present year; the total national income is not likely to exceed \$64,275,000,000 (August 5).	Government bonds have recently shown a sagging tendency; expectations that new cash requirements of the Treasury this fiscal year will amount to at least \$2,000,000,000, and estimates that September financing will include considerable new borrowing, have no doubt contributed to the easing of prices (August 12).	Some encouragement has been gained from the fact that investment demand for new business is sufficient to push the August total of output to the highest level for any month this year; most of the August borrowing has been for funding purposes and not for new money, which to expand business (August 19).
<b>Security Markets</b>	The reaction in stock prices, as it has developed thus far, has all the characteristics of a minor movement; in the past two years it has only been when European tension coincided with definitely adverse economic conditions in this country that changes in the major trend of the market have taken place (August 17).	Despite the adverse effect of war threats, fundamental economic and financial factors continue to favor active renewal of the advance; when relief from foreign tension develops, the favorable business trend plus the thinness of the market here should well propel stock prices upward with great vigor (August 19).	The weakness which has beset the stock markets was a manifestation of the uncertainty arising out of war clouds and the Mendelssohn suspension; selling came at a time when the European outlook, few investors were much interested in buying (August 19).
<b>Production</b>	Industrial production has recently shown a tendency to expand, suggesting that the prospective slump indicated by the present relationship between output and purchasing power may be postponed until late in the year; it may be expected, however, that there will be curtailment in the last quarter (August 5).	Ranging from such typical measures of consumers' goods as cotton textiles to such sensitive indicators of heavy industries as machine tools, July scored new highs for the upswing since the spring of 1938 (August 19).	The steel rate moved up another 62.1% of capacity this week—the best rate since November, 1938; there has been a jump of 19 points in the index of machine orders from June to July, recording the highest month in the 20-year history of the index (August 19).
<b>Distribution</b>	Freight car loadings in the second quarter of 1939 were 2.4% larger than in the first quarter; as compared with the second quarter of last year, loadings showed an increase of 9.9%; however, the prospect is that loadings in the last half of the year will no more than equal loadings in the last half of 1938 (August 12).		If a fit of war excitement comes just before the fall retail buying season, business might be set back a bit; during the month several New York department stores noted an immediate fall-off in sales; when the war was made, there was an immediate upturn in purchases (August 19).
<b>Construction</b>	As compared with other industries whose increased production accounted for the rise in national income from May to June, the building industry did not give a particularly good account of itself; building contracts in that period declined by more than the usual seasonal amount (August 5).	Current gains of building permits over a year ago are so marked as to bring the level above 1936 and 1937 also; such spirited progress despite obvious handicaps testifies to the backlog of building that exists to be filled (August 5).	Since June, FHA mortgages selected for appraisal have been running below a year ago; heavy construction also is likely to fall off, however, in view of the improvement in private operating rates in private industry, there is possibility that the next big move in construction will come from private industry (August 19).
<b>Agriculture</b>	The quantity of farm products marketed in the first half of 1939 was slightly higher than in the corresponding period of 1938 but the prices of farm products decreased; present indications are that total farm income will be smaller during the last six months of 1939 than in the same period last year (August 19).	Deserving of note is the ability of national income to progress despite the poor showing made by the agricultural income; however, the farm factor's importance has greatly diminished in the past two generations; from 1934 to 1938, farm income amounted to only 12.3% of the nation's total (August 5).	Farm income is holding up largely because of benefit payments, and continued price supports are bound, eventually, to cut down agricultural purchasing power—government loans and government benefits notwithstanding (August 19).
<b>Commodity Prices</b>	The index of wholesale commodity prices compiled by the Bureau of Labor Statistics on the basis of 1926 as 100 declined during the week of July 29 to 74.8, a new low for the recession which began in April, 1937, after the index had reached a peak of 88.3 (August 12).	Lest the declines in some commodity indexes cause misapprehension, it must be noted that in contrast with the weakness which heavy supplies have brought in farm prices, industrial raw materials have tended to rise (August 5).	Britain's war-and-business boom has had a positive influence on prices of metals in a few days; the inflationary possibilities of the situation in England promise to become an increasingly important factor in the world economy, particularly commodity prices (August 12).
<b>Labor and Wages</b>	After declining for two consecutive months, factory payrolls rose in June and nearly regained the 1939 peak reached in March; as compared with payrolls in June last year, when the index was 70.8, payrolls this year showed an increase of 21.8% (August 12).	While non-farm income in June stood at 92.6 (using 1924-1929 as 100) and registered a gain of 6.1% over a year ago, farm income stood at 60.0 and recorded a loss of 16.7% from a year ago; factory payrolls for the month were 21.8% over the same month in 1938 (August 5).	
<b>Foreign Trade and Conditions</b>	The value of merchandise exported from the U. S. in the first six months this year declined to \$1,415,000,000 from \$1,591,000,000 in the same period last year; imports on the other hand rose from \$961,000,000 in the first half of last year to \$1,095,000,000 in the corresponding period this year (August 12).	For the present the prospects remain definitely against any real outbreak of war; Hitler can ill afford to risk a war with the rapidly strengthening "Allies" over the minor issue of Danzig (August 19).	Business activity in England in June came in a shade of 1937's all-time high; continued and reemployment have cut unemployment to the danger point; production capacity in the land can't supply demand, and orders are being diverted to both Canada and the United States (August 12).

This digest covers the views of various authorities. It does not include any strictly confidential information or specific advices from the sources.



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Week	Dun's Review	Cleveland Trust Company	National City Bank
<p>Tempo of business recovery, but there are subtle factors of the recovery as durable goods over the load; there is a lull (August 19).</p> <p>Business has been gained from new issues is total of flotations any month this year; there has been for new money with (August 19).</p> <p>Set the stock market the uncertainty arising from the Mendelssohn bank a time when, because few investors were (August 19).</p> <p>Another point to note—the best operating; there has been a lull of machine tool recording the four-year history of the</p> <p>It comes just in the business might well be the Munich crisis, stores noticed an; when the "peace" immediate upturn in purchasing</p> <p>Prices selected for a year ago, and how; movement in profits and industry, there is a possible move in construction (August 5).</p> <p>Prices largely because of continued price declines cut down agricultural loans and government (August 12).</p> <p>Business boom has had a of metals in the last possibilities of the rise to become an in the American commodity prices (August 5).</p> <p>Prices in June came with a high; conscription unemployment to capacity in England and orders are being a and the U. S.</p>	<p>Reports from business during July and early August were predominately favorable; industry and securities made unexpected gains, while trade activity was maintained at a relatively high level; weak commodity prices and some grumblings from unsettled Europe were the most disturbing factors (September).</p> <p>Bank clearings, 22 U. S. cities, July, \$21,385,515,000, 7.1% below June, 1.1% below a year ago; Adjusted Insolvency Index (Failures) July, 54.5 (preliminary), compared with 52.4 (revised) in June and 64.3 a year ago (September).</p> <p>Increased activity on the New York Stock Exchange during July was reflected in the highest monthly volume of transactions since April, while stock prices rose; the daily average number of transactions continued at a relatively high level during the first August days, but prices sagged (September).</p> <p>Production levels were estimated to be somewhat higher during July than in the previous month; outstanding developments were the seasonal increase in steel production and the slackening in automobile output pending the model changeover (September).</p> <p>Preliminary estimates indicate that the United States Trade Barometer for July will be somewhat lower than the June figure of 83.4; all of the 29 regions in June made advances over a year ago, and in Detroit, Atlanta, Birmingham and Memphis the increases were greater than 20% (September).</p> <p>July building permits (215 cities) totaled \$102,750,445, 15% below June and 27% below last July; the decrease was due primarily to New York City, however, as outside cities registered a 27% increase over a year ago (September).</p> <p>The decline in the Daily Commodity Price Index which began in May continued through July and the first week in August; a new low for the year was reached on July 24, when the index stood at 101.4, as compared with a low point of 102.4 in the year 1938 (September).</p> <p>Little net change in employment and payrolls occurred between June and July, as losses in some industries offset gains in others; seasonal expansion occurred in canning, men's clothing, and shoe firms, whereas women's clothing, millinery, and silk mill activity declined (September).</p>	<p>At present, business activity is making good progress; industrial production advanced sharply from May to June, and advanced again in July; the profits of 365 corporations in the first half of 1939 were twice as large as those of the first half of 1938 (August 15).</p> <p>If important decreases in federal spending develop in the coming months before private enterprise steps up its expenditures sufficiently to compensate for them, business activity will be adversely affected; sudden reductions in deficit spending developed into important factors in bringing about the business slump of 1937-38 (Aug. 15).</p> <p>This bank's index of business activity, representing the physical volume of industrial production, reached its lowest level in May at 31.4% below the computed normal level; it recovered to 27.7% below in June, and the preliminary figure for July is 26% below normal (August 15).</p> <p>Costs of building have been falling since the summer of 1937, and that is probably one of the most important reasons for the increase in the volume of new construction; with 1936 taken as 100, costs rose from that point to 110.7 in August, 1937; in May this year they stood at 105.6 (August 15).</p> <p>A study of world wholesale prices shows four nations, Germany, France, Japan and Italy, forming an inflationary pattern wholly different from that of the eight other nations studied; with prices in 1929 taken as being equal to 100, the average of the latter group is about 79 while the average of the four nations is 103 (August 15).</p> <p>The average per capita income of the 35.5 million persons employed in 1929 was \$1,475, while in 1938 the 30.8 millions employed received only \$1,293; government employees were the only workers whose incomes were more than 100% of their 1929 earnings (August 15).</p>	<p>Business appears to be moving forward in a gratifying manner; barring a European upheaval, it is difficult to foresee any basis for serious setback for some months to come; inventories appear sound, business is proceeding with caution, and industrial costs, while high, are not rising over any broad area (August).</p> <p>For all member banks of the Federal Reserve System, the increase in reserves in July amounted to more than \$300,000,000, establishing a new peak at \$10,436,000,000, approximately 4½ billions in excess of legal requirements (August).</p> <p>The counter-seasonal improvement in steel brought mill operations in the latter part of July to 60% of capacity; business has also quickened in non-ferrous metals, electrical equipment, machinery and chemicals (August).</p> <p>While retailers appear to be liberally covering early fall needs, they seem conservative as to the later months; since inventories are reported lower, both actually and relative to sales, than a year ago, there should be further replenishment of stocks as the season progresses (August).</p> <p>The value of building contracts awarded during the first three weeks of July, on a daily average basis, was slightly better than in June and 26% above the daily average of June last year; building materials suppliers, who were late in feeling the increase in business this spring, are now reporting better business (August).</p> <p>In the eastern and northeastern states, a severe drought has caused concern for crops, but substantial relief came with rains late in the month; generally, throughout the country, crops have made good progress, and the corn crop is exceptionally good (August).</p> <p>While prices of industrial raw materials have held generally firm, and in some instances have advanced, a disturbing feature of the month has been the weakness of the principal foodstuffs, corn breaking to 40 cents at Chicago for the first time since 1933; wheat prices dropped to new seasonal lows (August).</p> <p>The further mandatory raising of wages and shortening of hours to take effect on Oct. 24 under the Wage-Hour law will be felt principally in the smaller industries and in industries employing a large proportion of unskilled labor (August).</p> <p>Abroad, business activity continues upward, prompted by the enormous defense expenditures; in May the Bank of International Settlements reported that world expenditures on arms have mounted six-fold since 1928, and the aggregate budgetary deficits in the world covered by borrowing exceed \$1,000,000,000 a month (Aug.).</p>

## Office Management Sessions, Oct. 25-26

### To Open AMA Conference Program

AMA's Office Management Conference—one of the most significant in many years—will be held on October 25-26 at the Hotel Pennsylvania, New York City, signaling the opening of an intense program of AMA meetings that will continue through the next ten months.

One of the things that lend additional importance to the Office Management sessions is that they will mark the first major gathering of AMA executives since hostilities broke out in Europe, and, while the meeting will not be devoted to a discussion of the effects of the war on business in the United States, it will undoubtedly provide opportunities for impromptu discussions on that subject.

Aside from the significance which attaches to the sessions because of their timing, they are also important because of the broad approach they will take to current office management problems. Not only has the entire group of AMA executives interested in office management been consulted regarding the meeting, but a large committee working under the direction of Norman C. Firth, Managing Editor of *Dun's Review* and Vice-President of the Office Management Division, has also been at work on the program for nearly three months.

Here is a preview of the sessions:

**Wednesday Morning, October 25—**Norman C. Firth, presiding.  
10:00—"Status of Management in the Office."

11:00—"Employer-Employee Relations in the Office—and the importance of employee attitude determination," Harold B. Bergen, McKinsey, Wellington & Company, Inc., New York, N. Y. Discussion, C. E. Haines, Office Manager, Standard Brands, Inc., New York, N. Y.

**Wednesday Afternoon—**E. D. Bartlett, Director, Office Personnel, The Atlantic Refining Company, Philadelphia, presiding.  
2:00—"Hidden Abilities in Office Personnel," Guy W. Wadsworth, Jr., Personnel Manager, Southern California Gas Company, Los Angeles, Cal. Discussion, Dr. Marion A. Bills, Assistant Secretary, Aetna Life Insurance Company, Hartford, Conn.

3:00—"Performance Standards in Office Operations," R. E. MacNeal, Assistant Secretary, The Curtis Publishing Company, Philadelphia, Pa. Discussion, L. H. Brigham, Office Service Manager, American Optical Company, Southbridge, Mass.

4:00—"Salary Standardization," L. C. Lovejoy, Personnel Manager, The Fisk Rubber Corporation, Chicopee Falls, Mass. Discussion, D. W. Weed, General Electric Company, Schenectady; and N. D. Hubbell, Training Director, Kodak Park Works, Eastman Kodak Company, Rochester, N. Y.

**Thursday Morning, October 26—**E. B. Gage, Supervisor of Office Equipment Standards, Western Electric Company, Inc., presiding.

9:30—"The Problem of Records."

10:00—"Today's Operating Experience with 'The Office of Tomorrow,'" David Davies, S. C. Johnson & Son, Inc., Racine, Wis.

11:00—"What's New in Office Machines and Appliances?" Introduction, E. B. Gage. Speakers: W. Everett Jones, Supervisor, Planning Division, and C. E. Willows, Actuarial Department, The Penn Mutual Life Insurance Company, Philadelphia, Pa.; and J. F. Twomey, Assistant Comptroller, National Dairy Products Corporation, New York, N. Y.  
**Luncheon, 12:30—"Dealing with Emotional Problems in the Office,"** Dr. Lydia G. Giberson, Industrial Psychiatrist, Metropolitan Life Insurance Company, New York, N. Y.

**Thursday Afternoon, 2:30—"Paving the Way for Methods Improvement,"** Robert Bruce, American Telephone & Telegraph Company, New York, N. Y. Discussion, John Mitchell, John Mitchell & Associates, New York, N. Y.

3:30—"Creating and Maintaining Employee Interest in Public Relations," Frank L. Hallock, System Commercial Manager, Consolidated Edison Company of New York. Discussion, C. S. Coler, Community Relations, Westinghouse Electric & Manufacturing Company, East Pittsburgh, Pa.

4:15—Questions and Answers.

## BUSINESS OUTLOOK

(Cont'd)

war; in 1939 most basic commodity prices have rushed up sharply.

### War Labor Conditions

The number of strikes reported for 1914 by the Bureau of Labor Statistics was 1204. This figure increased to 1593 in 1915, and to 3789 in 1916. The entry of the United States into the War did not diminish the number of strikes. Instead, in 1917 the total rose to 4450, while 3350 were recorded for 1918.

It is believed very unlikely that a similar intensification of labor strife could take place in the present situation. But it is apparent that war conditions do tend to aggravate labor unrest. Many existing collective bargaining agreements, of course, prohibit strikes during the life of the contracts.

### Insurance Sessions Planned For December in N. Y.

A one-day meeting of AMA's Insurance Division will be held some time in early December in New York City, it was announced this week by Ralph H. Blanchard of the School of Business, Columbia University, and Vice-President in Charge of AMA's Insurance Division, following a meeting of the Insurance Council at the Association's headquarters.

Present plans are to hold six round table discussions on current insurance problems. It is not planned to have prepared papers, but simply extemporaneous discussion on various topics. The Insurance Division members will be notified of the plans for this meeting as they develop. Topics of discussion will be based upon recommendations made by members.

### Packing Problems Caused By War to Be Discussed

A meeting of the Special Packaging Group will be held at the Hotel Statler, Cleveland, Ohio, on October 27. One session of the meeting will be entirely given over to a discussion of the packing and shipping problem created by the present war conditions.

Anyone interested in learning more about these sessions should communicate with Henry J. Howlett, Secretary of the American Management Association, 330 West 42nd Street, New York, N. Y.

## Be Sure To Get Management Congress Proceedings

Unquestionably the most important management literature that has appeared in many years is included in the Proceedings of the Seventh International Management Congress. Not only American management, but management throughout the world, is represented in the various studies which the Proceedings contain. They constitute the most complete, up-to-date recording of world management practice that exists.

The set consists of seven volumes on the following subjects: Administration, General Management, Distribution, Production, Agriculture, and Home Management. Originally selling at \$7.00 a set, the Proceedings may now be obtained at \$3.75. However, the quantity is limited, and it is advisable to order them promptly. It will not be possible to break sets to sell single volumes. Orders may be sent to AMA headquarters, 330 West 42nd Street, New York City.